

Members

Rep. Markt Lytle, Chair
Rep. John Frenz
Rep. William Friend
Rep. Richard Mangus
Sen. David Ford
Sen. Johnny Nugent
Sen. Katie Wolf
Sen. Richard Young



AGRICULTURAL MATTERS EVALUATION COMMITTEE

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MEETING MINUTES¹

Meeting Date: October 21, 1999
Meeting Time: 1:00 P.M.
Meeting Place: 2 E. McClain St.,
Scottsburg City Council Chambers
Meeting City: Scottsburg, Indiana
Meeting Number: 3

Members Present: Rep. Markt Lytle, Chair; Rep. John Frenz; Rep. William Friend;
Rep. Richard Mangus; Sen. David Ford; Sen. Katie Wolf;
Sen. Richard Young.

Members Absent: Sen. Johnny Nugent.

The third meeting of the Committee was called to order by Rep. Markt Lytle, Chair, at about 1:30 p.m. After the introductions of Committee members, Rep. Lytle stated that this Committee will cease to exist in December and that this would be the final meeting. He stated that the Tobacco Settlement will be a big issue in the upcoming session of the General Assembly and that it would be useful for agriculture to be knowledgeable in the Settlement.

The Tobacco Settlement

Mr. J.D. Lux - Office of the Attorney General

Mr. J.D. Lux, Office of the Attorney General, recounted the several months of discussions and negotiations that he, the Indiana Division of Agriculture, and the various tobacco growers and quota holders have been involved in regarding Phase II of the Tobacco Settlement. He stated that there were two parts of the Settlement: Phase I and Phase II. Both represent agreements between the states and the tobacco industry.

Phase I is the larger of the two promising payments to Indiana of about \$4 billion over a 25-year period. (The agreement actually goes into perpetuity, but the payments are often quoted on the basis of a 25-year period.) The states can spend the settlement payments without restriction with the ultimate decision being the General Assembly's. Indiana is to receive about \$50 million

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initially. This money is currently in escrow in New York and will be released as soon as all the necessary states have signed the agreement. A fund is established in statute into which the monies can be deposited. However, until the General Assembly makes additional appropriations, these funds are only appropriated for purposes of the Children's Health Insurance Program.

Phase II of the agreement is targeted toward tobacco growers and quota holders and promises payments of about \$4.4 million per year (for Indiana) over a 12-year period. In order to determine how the Phase II payments are to be divided, the Indiana Commission for Agriculture and Rural Development (ICARD) formed the Tobacco Advisory Council, that with the Attorney General's office and the growers and quota holders agreed to the following formula for those who "share in the risks of production": (1) the quota holder receives 1/3 of the proceeds; (2) the producer receives 1/3; and the tenant farmer receives 1/3. If an individual serves more than one of the three functions described above, that individual receives the corresponding shares of the settlement monies.

Rep. Lytle stated that, in addition to health and education related issues, some of the Phase I monies should also go toward the following: (1) communities, since some communities will be seriously affected by changes in the tobacco industry (e.g., It was stated that tobacco represents over 50% of the agricultural revenue in Switzerland County); (2) rural health initiatives; and (3) alternative crops. The Tobacco Advisory Council, having completed their work on determining the division of the Phase II monies, will now be focusing on the rest of the impact of the Settlement, such as economic development of the regions and alternative crops.

Responding to a question as to how much of the Phase II monies each producer will receive, an individual stated that there are about 8,000 tobacco quotas in Indiana and that initial calculations show a payment of about \$0.24 per pound based on a tobacco price of about \$1.92 per pound and that the payments correspond to the reduction in net incomes from the recent quota cuts.

Sen. Young suggested that this represents an opportunity for the agricultural community to get a portion of the payments to help deal with the problems of the agricultural economy of the last few years. He added that we will probably need to look at agriculture throughout the state to be able to have a united front and get some of the money. He stated that with a strong overall statewide program, we can receive some of the money. If we go in separately, we'll get none of it.

Rep. Lytle stated that he would like some tobacco legislation to go through the agricultural committees. Rep. Lytle also reminded the Committee that there will be a loss of tax revenue to the state resulting from any reduced demand for cigarettes.

Consideration of Proposed Legislation

Sen. David Ford described the following legislative proposals.

PD3513 (Exhibit 1) (Purchase or Transfer of Developmental Rights) authorizes local plan commissions to purchase development rights (PDRs) or conservation easements to assure the availability of land for agricultural use. The bill also provides that a zoning ordinance may permit the transfer of development rights (TDRs) between parcels of land.

Sen. Ford stated that this represents a follow-up to the issue of farmland preservation that has been studied by several committees. He added that he is very flexible with respect to these

bills. Sen. Ford stated that these drafts are consistent with his general principles that: (1) any farmland preservation tools that we establish should be voluntary to the land owner; (2) farmland preservation efforts should have positive incentives, rather than negative incentives in the form of penalties; and (3) farmland preservation efforts should always be under local control. Sen. Ford added that the purpose for these proposals is to raise awareness of the issue and that he would like everyone to be able to be a co-sponsor if they wish.

Sen. Ford stated that a bundle of rights is associated with real property, and this proposal separates the right to farm the land from the right to develop it. He added that this does not represent an attempt to stop growth, but rather is an attempt to control growth and to make it more orderly. Sen. Ford stated that TDRs typically are funded from private sources, while PDRs are typically purchased by the public sector. He stated that this bill provides a couple of tools and the bill makes clear to local zoning boards that they have these tools available to them.

PD3486 (Exhibit 2) (Funding Conservation Easements for Farmland) adds the Lt. Governor, or his designee, to the Indiana Heritage Trust Project Committee and establishes a Farmland Preservation Account within the Indiana Heritage Trust Fund to be used to purchase conservation easements to assure the availability of land for agricultural uses. The bill provides that 10% of the balance in the fund is to be allocated to the new account. It also reduces the portion of the fund allocated to the Discretionary Account from 50% to 40%.

Sen. Ford described this proposal that could provide some seed money, about \$200,000 per year, to local governments to fund farmland preservation efforts. Rep. Frenz suggested that the term "Farmland Preservation Account" should be changed to "Conservation Easement Account".

Rep. Mangus moved that both bills, including Rep. Frenz' suggestion, be recommended for introduction in the General Assembly . Sen. Wolf seconded the motion. The motion passed on a roll call vote of 7 to zero.

Public Testimony

Mr. James Hoyer - Citizens Action Coalition

Mr. James Hoyer, Citizens Action Coalition, provided a document (Exhibit 3) to the Committee regarding the farm crisis in Indiana and what actions the state of Indiana can take. Mr. Hoyer directed a question to Mr. J.D. Lux of the Attorney General's office regarding whether antitrust action is possible in the case of cereal makers getting rich from the use of cheap corn. Mr. Lux responded that it's possible after an investigation.

Mr. Gilbert Kleaving - Farmer

Mr. Gilbert Kleaving indicated that there is a reluctance to do anything about antitrust violations, especially at the federal level. Mr. Kleaving encouraged the state Attorney General's office to pursue antitrust violations. He stated that if these issues are not addressed soon, in two to three years, farmers won't be here. Mr. Kleaving added that the poor farmers are already gone; now the good farmers are in trouble. He stated that he was happy that this Committee is coming to the farmers. Mr. Kleaving stated that he was in favor of: (1) antitrust action; (2) country-of-origin labeling; and (3) a farmer-owned reserve.

Mr. Francis Bradley - Montgomery, IN

Mr. Francis Bradley, farmer, provided a set of documents (Exhibit 4) to the Committee that included: (1) his written testimony; (2) a document entitled "Indiana's Initiative for Agriculture" containing several recommendations; (3) a document entitled "Economic Justice"; (4) a copy of

a magazine article entitled "Doctor Doom"; and (5) a copy of a magazine article entitled "A Nation Divided: What to Do About the Ever Widening Gulf Between Rich and Poor?". Mr. Bradley recommended that the state should consider establishing a Family Farm Credit Assistance Program. The program would be a loan program to be applied only to the current existing debt service requirements of Indiana family farms.

Mr. Richard Beesley - North Vernon, IN

Mr. Richard Beesley, farmer, thanked the legislature for supporting the "Ways to Grow" program. He also stated that the Lt. Governor was trying to consolidate rules for organic farming and this was a good thing. He also stated that Illinois has a program where the state helps match farmers with corporations for the sale of some farm products.

Ms. Betsy Kranz - Center for Agricultural Science and Heritage

Ms. Betsy Kranz, Center for Agricultural Science and Heritage, stated that she hoped the General Assembly would continue to support the Center for Agricultural Science and Heritage and, thus, help promote agriculture, generally.

Rep. Lytle thanked all those present for attending the meeting and for expressing their opinions. There being no further business to conduct, the meeting was adjourned.